



*United States Attorney
Southern District of New York*

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CONTACT: U.S. ATTORNEY'S OFFICE
HERBERT HADAD, MEGAN GAFFNEY
PUBLIC INFORMATION OFFICE
(212) 637-2600

FBI
JOSEPH A. VALIQUETTE
JAMES A. MARGOLIN
(212) 384-2715, 2720

**FOUR FORMER EXECUTIVES OF AHOLD SUBSIDIARY CHARGED IN
MULTI-HUNDRED-MILLION-DOLLAR SECURITIES FRAUD SCHEME;
FIFTH DEFENDANT CHARGED WITH INSIDER TRADING**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, PASQUALE D'AMURO, the Assistant Director of the FBI's New York Field Office, and LINDA THOMSEN, the Deputy Enforcement Director of the Securities and Exchange Commission, announced today the filing in Manhattan federal court of charges against four former executives of U.S. Foodservice, Inc. ("USF"), a subsidiary of the Dutch food conglomerate Royal Ahold, N.V. ("Ahold"), in connection with a scheme to inflate USF's reported results of operations. The scheme involved the artificial reduction of USF's costs through the improper recognition of over \$800 million in fictitious "promotional allowances," i.e., supposed rebates received from USF's own suppliers. In addition, one of the former USF executives and a fifth defendant - not a former USF executive - were each charged with participating in a scheme to trade on inside information relating the April 2000 merger of Ahold and USF.

Summary Of The Charges Filed

Today's Indictment charges USF's former Chief Financial Officer MICHAEL J. RESNICK and USF's former Chief Marketing Officer and Executive Vice President of Purchasing MARK P. KAISER each with (a) one count of conspiracy to commit securities fraud, to make false statements in filings with the United States Securities and Exchange Commission ("SEC"), and to falsify USF's and Ahold's books and records; (b) one count of securities fraud; and (c) one count of making false filings with the SEC.

Two other former USF executives recently pled guilty to charges relating to their participation in the same scheme charged against RESNICK and KAISER. On July 23, 2004 and July 26, 2004, respectively, USF's former Executive Vice President of Purchasing TIMOTHY J. LEE and former Vice President of Purchasing WILLIAM F. CARTER each pled guilty to various charges relating to their participation in the scheme. LEE pled guilty to a felony Information charging him with (a) one count of conspiracy to commit securities fraud, to make false statements in filings with the SEC, and to falsify USF's and Ahold's books and records; and (b) one count of securities fraud. CARTER pled guilty to a felony Information charging him with (a) one count of conspiracy to commit securities fraud; and (b) one count of securities fraud. In addition, LEE also pled guilty to (a) one count of securities fraud in connection with his participation in late 1999 and early 2000 in an insider trading scheme in which he tipped various other individuals to the then-impending merger

between USF and Ahold; and (b) one count of making false statements to a Government official in relation to his false denial of participation in the insider trading scheme.

In addition, in a separate Indictment unsealed today, PETER O. MARION, a former supplier to USF, was charged with (a) six counts of securities fraud, in connection with purchases and sales of USF's common stock on the basis of inside information about the Ahold-USF merger provided to him by LEE; (b) six counts of tender offer fraud, also relating to stock trades MARION made based on tips from LEE; (c) one count of obstruction of justice in connection with the investigation of MARION's insider trading; and (d) one count of making false statements to a Government official, also in connection with the insider trading investigation.

The Accounting Fraud Scheme

The Indictment against RESNICK and KAISER and the Informations against LEE and CARTER charge each with participating in an illegal scheme to inflate falsely USF's earnings by hundreds of millions of dollars through an artificial reduction of USF's cost of sales. The scheme is alleged to have taken place between approximately 2000 and approximately February 2003.

According to the Indictment and the Informations, USF was one of the United States' leading distributors of food and related products to customers such as restaurants and cafeterias. The Indictment charges that USF typically purchased the products

it resold to its customers from a variety of suppliers at full price. However, the suppliers often refunded to USF a portion of the purchase prices in the form of negotiated rebates, known as "promotional allowances." Promotional allowances, according to the Indictment, reduced USF's cost of sales and thereby increased USF's earnings.

According to the Indictment and the Informations, RESNICK, KAISER, LEE, CARTER, and others falsely inflated USF's earnings by causing USF to record hundreds of millions of dollars in fictitious promotional allowances that had not been earned. The Indictment and the Informations allege that the conspirators took various steps to perpetuate and hide their fraud, including the following: inducing USF's suppliers to sign and provide to USF's outside auditors fraudulent audit confirmations, which falsely attested that the promotional allowances claimed by USF were, in fact, due and owing; manipulating and misapplying rebate-related cash receipts; and lying to USF's auditors.

It is alleged that RESNICK, KAISER, LEE, CARTER, and others knew that USF's inflated earnings would, in turn, inflate Ahold's consolidated earnings that were reported to the public in its periodic filings with the SEC and elsewhere.

According to the Indictment and the Informations, in February 2003, Ahold announced that it would issue restated consolidated financial statements based, in substantial part, on the overstatement of promotional allowances by more than approximately \$500 million. Following that announcement, the

price of Ahold's securities - including American Depository Receipts, which were traded on the New York Stock Exchange - plummeted by more than 60 percent, representing a decline in Ahold's market capitalization of approximately \$6 billion. Subsequently, in May 2003, according to the Indictment, Ahold announced that PA income at USF had been overstated by more than approximately \$800 million.

The Insider Trading And Obstruction Schemes

The Indictment against MARION and the Information against LEE allege that, prior to April 2000 when Ahold acquired USF, USF was a public company whose stock was traded on the New York Stock Exchange. According to the Indictment and the Information, LEE tipped three individuals about the terms and timing of the anticipated merger between Ahold and USF, including MARION. It is alleged that, acting on this information, MARION purchased USF stock prior to the public announcement of the Ahold - USF acquisition, and sold this USF stock immediately after the acquisition was publicly announced. As a result, it is alleged in the MARION Indictment, MARION obtained illegal profits of approximately \$363,894.05.

MARION and LEE are each charged with engaging in efforts to obstruct federal investigations of the insider trading scheme. The Indictment against MARION charges that MARION told an SEC investigator that he had no inside information and that his decisions to purchase USF stock were not made based on information he received from LEE. Based on this conduct, MARION

was charged with obstructing the SEC's insider trading investigation relating to Ahold's acquisition of USF, and with making false statements to the SEC in connection with that investigation. The Information against LEE charges him with falsely stating to a federal prosecutor that he had not provided material nonpublic information to others, including MARION.

On July 23, 2004, LEE pled guilty to all of the charges in the Information filed against him. United States District Judge KEVIN P. CASTEL, to whom LEE's case is assigned, scheduled sentencing for January 24, 2005.

On July 26, 2004, CARTER pled guilty to all of the charges in the Information filed against him. United States District Judge WILLIAM H. PAULEY III, to whom LEE's case is assigned, scheduled sentencing for January 28, 2005.

KAISER, RESNICK, and MARION are expected to voluntarily surrender to the FBI tomorrow morning. The case against KAISER and RESNICK was assigned today to United States District Judge SIDNEY H. STEIN. The case against MARION was assigned today to United States District Judge VICTOR MARRERO. No court appearances have yet been scheduled.

KAISER, 47, resides in Ellicott City, Maryland.

RESNICK, 42, resides in Finksburg, Maryland.

LEE, 40, resides in Millersville, Maryland.

CARTER, 43, resides in Pasadena, Maryland.

MARION, 53, resides in East Greenwich, Rhode Island.

Mr. KELLEY, a member of the President's Corporate Fraud Task Force, praised the efforts of the FBI, and thanked the SEC and the United States Department of Labor for their assistance in the investigation.

Also today, the SEC separately announced the filing of civil charges against KAISER, RESNICK, LEE, CARTER, and MARION.

Assistant United States Attorney JAMES G. CAVOLI and Special Assistant United States Attorney ALEX LIPMAN are in charge of the prosecution.

The charges contained in the Indictments are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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POTENTIAL PENALTIES

If convicted, KAISER and RESNICK each face the following maximum penalties with respect to each count charged in the Indictment:

COUNT	MAXIMUM TERM OF IMPRISONMENT	MAXIMUM FINE
One: Conspiracy	5 years	\$250,000
Two: Securities Fraud	20 years	\$5 million or twice the gross gain or loss resulting from the crime
Three: False filing with the SEC in connection with Ahold's Form 20-F for the fiscal year ending December 31, 2001	10 years	\$1 million or twice the gross gain or loss resulting from the crime

If convicted, MARION faces the following maximum penalties with respect to each count charged in the MARION Indictment:

COUNT(S)	MAXIMUM TERM OF IMPRISONMENT	MAXIMUM FINE
One through Six: Securities Fraud (Insider Trading)	10 years (each count)	\$1 million or twice the gross gain or loss resulting from the crime
Six through Twelve: Fraud In Connection With A Tender Offer	10 years (each count)	\$1 million or twice the gross gain or loss resulting from the crime
Thirteen: Obstruction of Justice	5 years	\$250,000

Fourteen: False Statements to a Government Official	5 years	\$250,000
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At sentencing, LEE faces the following maximum penalties with respect to each count charged in the LEE Information:

COUNT	MAXIMUM TERM OF IMPRISONMENT	MAXIMUM FINE
One: Securities Fraud (Insider Trading)	10 years	\$1 million or twice the gross gain or loss resulting from the crime
Two: Conspiracy	5 years	\$250,000
Three: Securities Fraud (Accounting Fraud)	20 years	\$5 million or twice the gross gain or loss resulting from the crime
Four: False Statements to a Government Official	5 years	\$250,000

At sentencing, CARTER faces the following maximum penalties with respect to each count charged in the CARTER Information:

COUNT	MAXIMUM TERM OF IMPRISONMENT	MAXIMUM FINE
One: Conspiracy	5 years	\$250,000
Two: Securities Fraud (Accounting Fraud)	10 years	\$1 million or twice the gross gain or loss resulting from the crime

